

Article 5.

Enactment of the Budget.

§ 143C-5-1. Rules for the introduction of the Governor's appropriations bills.

The Current Operations Appropriations Act recommended by the Governor shall be introduced by the chairs of the committee on appropriations in each house of the General Assembly. This section shall be considered and treated as a rule of procedure in the Senate and House of Representatives unless provided otherwise by a rule of either branch of the General Assembly. (2006-203, s. 3; 2017-57, s. 6.6(d).)

§ 143C-5-2. Order of appropriations bills.

(a) Each house of the General Assembly shall first pass its version of the Current Operations Appropriations Act on third reading and order it sent to the other chamber before placing any other appropriations bill on the calendar for second reading. This section does not apply to the following bills:

- (1) An appropriations bill to respond to an emergency as defined by G.S. 166A-19.3.
- (2) An appropriations bill making adjustments to the current year budget.
- (3) An appropriations bill authorizing continued operations at current funding levels.
- (4) In even-numbered years, an appropriations bill that contains a statement that the General Assembly does not intend to enact a Current Operations Appropriations Act that year.

(b) The provisions of subsection (a) of this section shall apply to each fiscal year of the biennium. (2006-203, s. 3; 2012-12, s. 2(w); 2014-100, s. 6.8.)

§ 143C-5-3. Availability statement required.

The Current Operations Appropriations Act enacted by the General Assembly shall state the General Fund, Highway Fund, and Highway Trust Fund availability used as basis for appropriations from those funds. (2006-203, s. 3.)

§ 143C-5-4. Enactment deadline; procedures to be followed when the Current Operations Appropriations Act does not become law prior to the end of certain fiscal years.

(a) Enactment Deadline. – The General Assembly shall enact the Current Operations Appropriations Act by June 15 of odd-numbered years and by June 30 of even-numbered years in which a Current Operations Appropriations Act is enacted.

(b) Procedure for Budget Continuation. – If a fiscal year begins for which no Current Operations Appropriations Act providing for current operations of State government during that fiscal year has become law, then the following procedures shall be followed and the following limitations shall apply:

- (1) Authority. – Unless otherwise provided by law, the Director of the Budget may continue to allocate funds from all funds for expenditure by State departments, institutions, and agencies at a level not to exceed the level of recurring expenditures from those funds for the prior fiscal year. If the Director of the Budget finds that projected revenues for the fiscal year will not support

expenditures at the level of recurring expenditures for the prior fiscal year, the Director of the Budget shall allot funds at a lower level. In making these allocations, the Director of the Budget shall ensure the prompt payment of the principal and interest on bonds and notes of the State according to their terms. Except as otherwise provided by this section, the limitations and directions on the expenditure of funds for the prior fiscal biennium shall remain in effect.

- (2) Appropriation of funds necessary to implement. – There is appropriated from the appropriate State funds, cash balances, federal receipts, and departmental receipts sums sufficient to implement the authority described in this subsection for the applicable fiscal year.
- (3) Relation to Current Operations Appropriations Act. – The appropriations and the authorizations to allocate and spend funds which are set out in this subsection shall remain in effect until the Current Operations Appropriations Act for the applicable fiscal year becomes law, at which time that act shall become effective and shall govern appropriations and expenditures. When the Current Operations Appropriations Act for that fiscal year becomes law, the Director of the Budget shall adjust allotments to give effect to that act from July 1 of the fiscal year.
- (4) Vacant positions. – If both houses of the General Assembly have passed their respective versions of the Current Operations Appropriations Act on the third reading and ordered them sent to the other chamber, then vacant positions subject to proposed budget reductions in either or both versions of the bill shall not be filled.
- (5) State employee salaries. – The salary schedules and specific salaries established for the prior fiscal year and in effect on June 30 of the prior fiscal year for offices and positions shall remain in effect until the Current Operations Appropriations Act for the current fiscal year becomes law. State employees subject to G.S. 7A-102(c), 7A-171.1, 20-187.3, or any other statutory salary schedule, shall not move up on salary schedules or receive automatic increases, including automatic step increases, until authorized by the General Assembly. State employees, including those exempt from the classification and compensation rules established by the State Human Resources Commission, shall not receive any automatic step increases, annual, performance, merit, bonuses, or other increments until authorized by the General Assembly.
- (6) School Employee Salaries. – Public school employees paid on the teacher salary schedule, the school-based administrator salary schedule, or any other salary schedule established by State law shall not move up on salary schedules or receive automatic step increases until authorized by the General Assembly.
- (7) State's employer contribution rate. – The State's employer contribution rates budgeted for retirement and related benefits for the current fiscal year shall remain the same as they are on June 30 of the prior fiscal year. These rates are effective until the Current Operations Appropriations Act for the current fiscal year becomes law and are subject to revision in that act. If that act modifies those rates, the Director of the Budget shall further modify the rates set in that act for the remainder of the fiscal year so as to compensate for the different amount contributed between July 1 and the date the Current Operations

Appropriations Act becomes law so that the effective rates for the entire year reflect the rates set in the Current Operations Appropriations Act.

- (8) **(Effective until July 1, 2019)** Statutory transfers to reserves. – Notwithstanding G.S. 143C-4-2 and G.S. 143C-4-3, funds shall not be reserved to the Savings Reserve or the Repairs and Renovations Reserve and the State Controller shall not transfer funds from the unreserved fund balance to those reserves on June 30 of the prior fiscal year.
- (8) **(Effective July 1, 2019)** Statutory transfers to reserves. – Notwithstanding G.S. 143C-4-2 and G.S. 143C-4-3.1, funds shall not be reserved to the Savings Reserve Account or the State Capital and Infrastructure Fund and the State Controller shall not transfer funds from the unreserved fund balance to those accounts on June 30 of the prior fiscal year.
- (9) Federal block grant funds and other grant funds. – Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget, spend funds received from grants awarded during the current fiscal year, including federal block grants, that are for less than two million five hundred thousand dollars (\$2,500,000), do not require State matching funds, and will not be used for a capital project. State agencies shall report to the Joint Legislative Commission on Governmental Operations within 30 days of receipt of such funds. State agencies may spend all other funds from grants awarded during the current fiscal year, including federal block grants, only with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations, except that consultation with the Joint Legislative Commission on Governmental Operations shall not be required prior to an expenditure to respond to an emergency, as that term is defined in G.S. 166A-19.3(6). The Office of State Budget and Management shall work with the recipient State agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities. Depending on the nature of the award, additional State personnel may be employed on a time-limited basis. Funds received from such grants are hereby appropriated and shall be incorporated into the authorized budget of the recipient State agency. Notwithstanding the provisions of this subdivision, no State agency may accept a grant if acceptance of the grant would obligate the State to make future expenditures relating to the program receiving the grant or would otherwise result in a financial obligation as a consequence of accepting the grant funds. Nothing in this subdivision shall be construed to prohibit or limit expenditures that are authorized under subdivision (1) of this subsection. (2006-203, s. 3; 2016-94, s. 6.3(a); 2016-123, s. 2.2; 2017-5, s. 5; 2017-57, s. 36.12(h).)

§ 143C-5-5. Committee report used to construe intent of budget acts.

A committee report incorporated by reference in the Current Operations Appropriations Act and distributed on the floor of the House of Representatives and of the Senate as part of the explanation of the act is to be construed with the appropriate act in interpreting its intent. If a report conflicts with the act, the act prevails. The Director of the Fiscal Research Division of the

Legislative Services Commission shall send a copy of the reports to the Director. (2006-203, s. 3; 2017-57, s. 6.6(e).)